

AMENDED IN SENATE JUNE 4, 2014
AMENDED IN ASSEMBLY MAY 5, 2014
AMENDED IN ASSEMBLY APRIL 10, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1927

Introduced by Assembly Member Frazier

February 19, 2014

An act to add Section 69505.7 to the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL’S DIGEST

AB 1927, as amended, Frazier. Student financial aid: debit cards.

Existing law provides for the missions and functions of the private and public segments of postsecondary education in the state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require the Board of Governors of the California Community Colleges and the Trustees of the California State University, and request the Regents of the University of California and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions, to adopt policies to be used for negotiating contracts between their postsecondary educational institutions and banks and other financial institutions to disburse a student’s financial aid award and other refunds onto a debit card, prepaid card, or preloaded card that best serves the needs of the students. The bill would require the policies to ensure that contracts between postsecondary educational institutions and banks or other financial institutions to disburse a student’s financial aid award do certain things,

including, among other things, prohibit the sale or sharing of personal information, as defined, that the student or the postsecondary educational institution provides the bank or other financial institution; *institution, except as specified*; prohibit the bank or other financial institution from imposing a point-of-sale transaction fee on a student for the use of the debit card, prepaid card, or preloaded card; provide a clear and conspicuous disclosure to students of all fees associated with the debit card, prepaid card, or preloaded card; ensure that a student does not incur any cost in opening the account or initially receiving the card; not market or portray the account or card as a credit card or credit instrument, or subsequently convert the card to a credit card or credit instrument; and require the postsecondary educational institution to disclose to students the benefits and student responsibilities for all financial aid disbursement options offered by the postsecondary educational institution.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 69505.7 is added to the Education Code,
- 2 to read:
- 3 69505.7. (a) The Board of Governors of the California
- 4 Community Colleges and the Trustees of the California State
- 5 University shall, and the Regents of the University of California
- 6 and the governing bodies of accredited private nonprofit and
- 7 for-profit postsecondary educational institutions are requested to,
- 8 adopt policies to be used for negotiating contracts between their
- 9 postsecondary educational institutions and banks and other
- 10 financial institutions to disburse a student's financial aid award
- 11 and other refunds onto a debit card, prepaid card, or preloaded
- 12 card that best serves the needs of the students.
- 13 (b) The policies adopted pursuant to subdivision (a) shall,
- 14 consistent with federal law, including Section 668.164 of Title 34
- 15 of the Code of Federal Regulations, ensure that contracts between
- 16 postsecondary educational institutions and banks or other financial
- 17 institutions to disburse a student's financial aid award and other
- 18 refunds onto a debit card, prepaid card, or preloaded card do at
- 19 least all of the following:

1 (1) Prohibit revenue sharing between a postsecondary
2 educational institution and banks or other financial institutions.

3 (2) Prohibit the sale or sharing of personal information, as
4 defined in paragraph (1) of subdivision (d) of Section 1798.81.5
5 of the Civil Code, that the student or the postsecondary educational
6 institution provides the bank or other financial ~~institution.~~
7 *institution, unless it is necessary for the purpose of providing*
8 *services related to the opening or maintenance of a debit card,*
9 *prepaid card, or preloaded card account.*

10 (3) Prohibit the bank or other financial institution from imposing
11 a point-of-sale transaction fee on a student for the use of the debit
12 card, prepaid card, or preloaded card.

13 (4) Provide a clear and conspicuous disclosure to students of
14 all fees associated with the debit card, prepaid card, or preloaded
15 card.

16 (5) If the debit card, prepaid card, or preloaded card is
17 cobranded, provide a clear and conspicuous disclosure to students
18 that the card is not endorsed by the postsecondary educational
19 institution.

20 (6) Ensure that the student does not incur any cost in opening
21 the account or initially receiving the debit card, prepaid card, or
22 preloaded card.

23 (7) (A) Ensure that the student has convenient access to a branch
24 office of the bank or an automated teller machine of the bank in
25 which the account was opened or of another bank, so that the
26 student does not incur any cost in making withdrawals from that
27 office or those automated teller machines.

28 (B) The branch office or automated teller machines must be
29 located on the postsecondary educational institution's campus, in
30 an institutionally owned or operated facility, or immediately
31 adjacent to and accessible from the campus.

32 (8) Ensure that the debit card, prepaid card, or preloaded card
33 can be widely used.

34 (9) Not market or portray the account or debit card, prepaid
35 card, or preloaded card as a credit card or credit instrument, or
36 subsequently convert the account or debit card, prepaid card, or
37 preloaded card to a credit card or credit instrument.

38 (10) Require the postsecondary educational institution to
39 disclose to students the benefits and student responsibilities for all

1 financial aid disbursement options offered by the postsecondary
2 educational institution.

3 *(c) The policies adopted pursuant to subdivision (a) shall only*
4 *apply to negotiating contracts between a bank or other financial*
5 *institution and a postsecondary educational institution for purposes*
6 *of disbursing a student's financial aid award and other refunds*
7 *onto a debit card, prepaid card, or preloaded card.*

8 *(d) For purposes of this section, a "bank or other financial*
9 *institution" includes, but is not limited to, a depository institution*
10 *or an entity that partners with one or more depository institutions.*